

TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: October 1, 2012

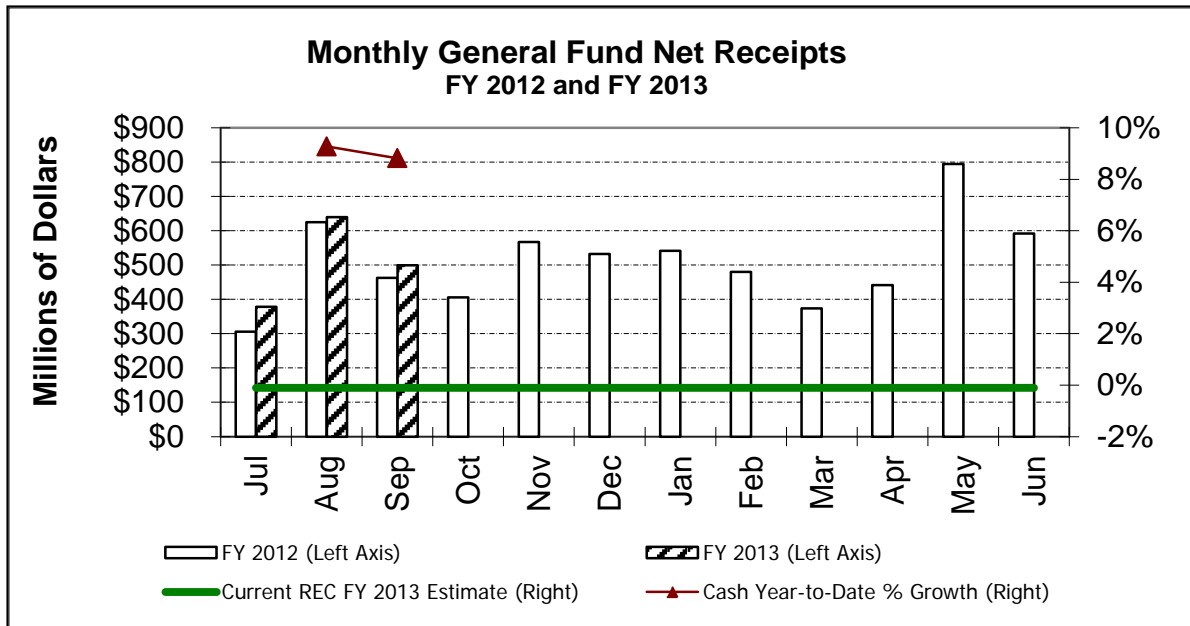
### Monthly General Fund Receipts through September 30, 2012

The attached spreadsheet presents FY 2013 General Fund total net receipts with comparable figures for actual FY 2012. The figures can be compared to the FY 2013 estimate of \$6.193 billion set by the Revenue Estimating Conference (REC) on March 23, 2012. The FY 2013 estimate is a decrease of \$9.0 million (-0.1%) compared to actual FY 2012 total net receipts (excludes transfers). The next REC meeting is scheduled for October 11.

FY 2012 Final Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = + 2.62%						
Year-to- Date Ending:	Year-to- Date FY 2011	Year-to- Date FY 2012	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
Oct	\$1,813.9	\$1,799.9	\$ -14.0	-0.8%	\$48.2	\$ -62.2
Nov	2,385.7	2,366.8	-18.9	-0.8%	63.4	-82.3
Dec	2,855.6	2,899.4	43.8	1.5%	75.9	-32.1
Jan	3,378.1	3,440.7	62.6	1.9%	89.8	-27.2
Feb	3,824.8	3,921.1	96.3	2.5%	101.6	-5.3
Mar	4,202.4	4,294.9	92.5	2.2%	111.7	-19.2
Apr	4,530.5	4,736.3	205.8	4.5%	120.4	85.4
May	5,312.4	5,530.8	218.4	4.1%	141.2	77.2
Jun	5,833.4	6,122.9	289.5	5.0%	155.0	134.5
Year end	5,813.4	6,202.4	389.0	6.7%	154.5	234.5
Adjustment for Transfers						23.5
Year end net receipts, including transfers						\$258.0

### Final FY 2012 Net Revenue

Net General Fund revenue for FY 2012, excluding transfers, totaled \$6.202 billion, an increase of \$389.0 million (6.7%) compared to FY 2011. The total FY 2012 net amount was \$234.5 million above the March 2012 REC projection. Adjusting for transfers that were \$23.5 million above projections, net General Fund revenue, including transfers, was \$258.0 million above the FY 2012 estimate.



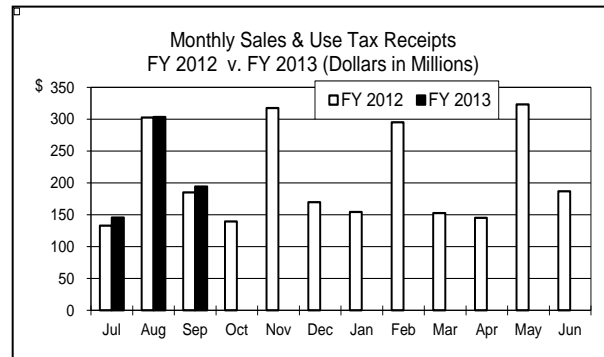
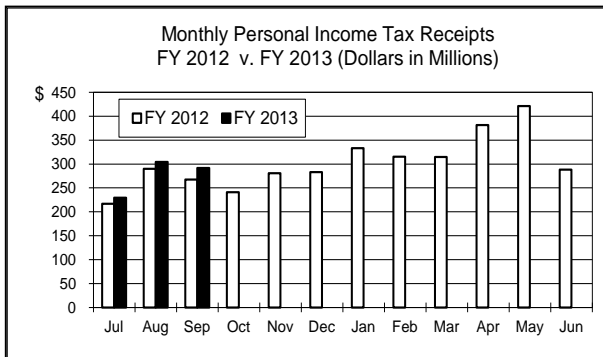
## Overview of Current Situation

September 2012 net General Fund revenue was \$36.6 million (7.9%) above the September 2011 revenue level. Year-to-date net tax receipts are \$123.2 million (8.8%) higher than FY 2012. Major sources of tax revenue and their contribution to the FY 2012 change include:

- Personal income tax (positive \$50.5 million, 6.5%)
- Sales/use tax (positive \$22.7 million, 3.7%)
- Corporate tax (positive \$30.0 million, 34.8%)
- Other taxes (positive \$1.1 million, 1.4%)
- Other receipts (positive \$3.8 million, 6.4%)
- Tax refunds not including school infrastructure refunds (positive \$17.4 million)
- School infrastructure sales/use tax refunds (negative \$2.6 million)

**Personal Income Tax** revenue received in September totaled \$291.5 million, an increase of \$23.7 million (8.8%) compared to September 2011.

The FY 2013 REC income tax estimate of \$3.787 billion represents a projected increase of 4.2% compared to actual FY 2012. Through September, personal income tax receipts have increased \$50.5 million (6.5%). By subcategory, withholding payments increased \$47.6 million (7.2%), estimate payments increased \$2.6 million (3.0%), and payments with returns increased \$0.3 million (1.0%). The following chart compares FY 2013 monthly income tax receipts from the three personal income tax subcategories with FY 2012.



**Sales/Use Tax** receipts received in September totaled \$194.4 million, an increase of \$9.3 million (5.0%) compared to September 2011.

The REC estimate for FY 2013 sales/use tax receipts is \$2.538 billion, an increase of 1.3% compared to actual FY 2012. Year-to-date sales/use tax receipts total \$643.6 million, an increase of \$22.7 million (3.7%) compared to FY 2012. The preceding chart compares FY 2013 monthly sales/use tax receipts with FY 2012.

**Corporate Tax** receipts received in September totaled \$54.3 million, an increase of \$4.8 million (9.7%) compared to September 2011.

The REC estimate for FY 2013 corporate tax revenue is \$511.3 million, a decrease of 1.8% compared to actual FY 2012. Through September, corporate tax receipts have increased \$30.0 million (34.8%).

**Other tax receipts** received in September totaled \$12.2 million, a decrease of \$0.2 million (-1.6%) compared to September 2011.

The REC estimate for FY 2013 other tax revenue is \$347.7 million, a decrease of 2.1% compared to actual FY 2012. Through September, other tax receipts have increased 1.4%.

**Other receipts** (non-tax receipts) received in September totaled \$21.4 million, an increase of \$1.8 million (9.2%) compared to September 2011.

The REC estimate for FY 2013 other receipts revenue is \$338.2 million, a decrease of 5.2% compared to actual FY 2012. Year-to-date other receipts have increased 6.4% through September.

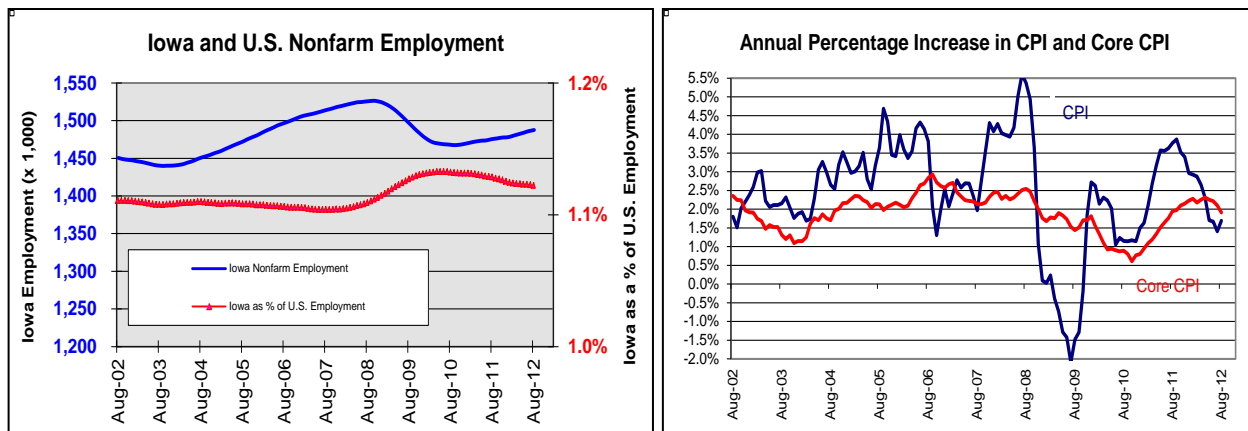
**Tax Refunds** issued in September totaled \$36.3 million, an increase of \$3.5 million (10.7%) compared to September 2011. In addition, school infrastructure refunds totaled \$38.1 million in September, a decrease of \$0.7 million compared to September 2011.

## Status of the Economy

Iowa nonfarm employment was reported at 1,479,300 for the month of August (not seasonally adjusted), 11,700 higher (0.8%) than August 2011.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,487,600, resulting in an annual average Iowa nonfarm employment level 38,800 below the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since that time, Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment.



The Consumer Price Index (CPI-U) through August 2012 was 230.4 (1983/84=100). Consumer prices increased 0.6% in August (not seasonally adjusted) and the annual rate of inflation increased to 1.7% from the previous month's level of 1.4%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% in August and totaled 1.9% year-over-year. The annual rate of core inflation decreased for the fourth consecutive month, and the fifth time in the past seven months. For the two components excluded from the core rate, energy prices are down 0.6% year-over-year while food prices are up 2.0%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2012 vs. FY 2013 July 1 through September 30 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 12 Actual Compared to FY 13 REC Estimate		
	FY 2012	FY 2013	Year to Date % Change	September % Change	Actual FY 2012	Estimate FY 2013	Projected % Change
Personal Income Tax	\$ 774.9	\$ 825.4	6.5%	8.8%	\$ 3,634.3	\$ 3,786.7	4.2%
Sales/Use Tax	620.9	643.6	3.7%	5.0%	2,505.3	2,538.3	1.3%
Corporate Income Tax	86.3	116.3	34.8%	9.7%	520.7	511.3	-1.8%
Inheritance Tax	19.3	19.4	0.5%	-29.2%	77.6	79.9	3.0%
Insurance Premium Tax	46.8	47.2	0.9%	-100.0%	101.4	102.4	1.0%
Cigarette Tax	0.0	0.0	0.0%	100.0%	103.2	93.5	-9.4%
Tobacco Tax	2.5	2.5	0.0%	0.0%	16.3	16.1	-1.2%
Beer Tax	4.2	4.6	9.5%	107.1%	14.2	14.4	1.4%
Franchise Tax	8.4	8.6	2.4%	13.5%	41.5	40.3	-2.9%
Miscellaneous Tax	0.0	0.0	0.0%	0.0%	1.1	1.1	0.0%
Total Gross Taxes	\$ 1,563.3	\$ 1,667.7	6.7%	7.3%	\$ 7,015.6	\$ 7,184.0	2.4%
Institutional Payments	4.2	3.7	-11.9%	50.0%	13.0	15.3	17.7%
Liquor Profits	22.9	27.0	17.9%	32.4%	94.6	93.5	-1.2%
Interest	0.5	0.4	-20.0%	-50.0%	2.4	3.0	25.0%
Fees	7.2	7.9	9.7%	28.0%	29.1	20.9	-28.2%
Judicial Revenue	18.2	15.9	-12.6%	-21.6%	113.8	112.0	-1.6%
Miscellaneous Receipts	6.5	8.4	29.2%	10.5%	37.7	27.5	-27.1%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	66.0	66.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,622.7	\$ 1,731.0	6.7%	7.4%	\$ 7,372.3	\$ 7,522.2	2.0%
Accrued Revenue-Net*					61.3	15.1	
Tax Refunds **	-105.0	-87.6	-16.6%	10.7%	-820.6	-919.0	12.0%
School Infrast. Refunds **	-123.6	-126.2	2.1%	-1.8%	-410.6	-424.9	3.5%
TOTAL NET RECEIPTS	\$ 1,394.0	\$ 1,517.2	8.8%	7.9%	\$ 6,202.4	\$ 6,193.4	-0.1%
<p>* The FY 2012 "Accrued Revenue-Net" is final.</p> <p>** For FY 2012 and FY 2013 Year-to-Date columns, refunds are presented on a cash basis. For FY 2012 Actual and FY 2013 Estimate, refunds are presented on a fiscal year basis.</p>							